

LOUISIANA PATIENT'S COMPENSATION FUND

During the 1975 legislative session, **Act 817** (R.S. 40:1299.41 *et seq*), was passed which created the Louisiana Patient's Compensation Fund. Through the Act, coverage is provided to private health care providers in Louisiana. The Act was created to ensure that a stable and affordable market existed for malpractice insurance and thereby keeping practitioners in the state. Second, it was to create a viable fund for compensating claimants. The original Act provided a statutory cap on total liability of \$500,000. It also provided for the Medical Review Panel process, which is the first step in pursuing a claim against a health care provider.

In 1984, the statute was amended to allow for the payment of all related medical expenses. This change allowed those patients with more severe injuries to have medical expenses paid by the PCF on an ongoing basis. This provision also reduces the payments that were being made or could have been made by Medicare and Medicaid, which lessens the burden to these programs.

In the 1990 legislative session, there was a major change in the operation of the Patient's Compensation Fund. The statute was revised to move the operation of the Patient's Compensation Fund to an Oversight Board. The creation of the Oversight Board gave providers greater input, and also greater responsibility, in the operation of the Patient's Compensation Fund. The Oversight Board is drawn from the provider groups based on their proportional representation in the Patient's Compensation Fund as a whole.

Since its inception in 1975, the PCF has consistently met all its obligations by paying all settlements and judgments in full. The financial status of the PCF has significantly improved since 1990 when the Oversight Board was created by the state legislature. However, it was not an easy road to get to the financial strength the PCF now enjoys. The providers have willingly accepted large premium increases over the past years to ensure the fiscal integrity of the Patient's Compensation Fund. From 1990 to present, there have been 17 rate increases, resulting rates going up by about 540%. The continued participation by private health care providers in the PCF, despite these substantial rate increases, evidences their commitment to the program and the Oversight Board's determination to maintain a sound and reliable fund.

Health care providers who choose to enroll in the PCF remain responsible for the first \$100,000 of each claim, either through an insurance company or as a self-insured provider. The Patient's Compensation Fund provides coverage for the second layer of \$400,000 plus all related medical expenses. The PCF's fiscal strength is subject, in part, to surcharge collections, which are the fees charged to the health care providers that enroll in the PCF. Participation in the PCF is not mandatory, yet the number of enrolled providers has increased each year. There are over 17,000 private health care providers enrolled in the PCF who paid approximately \$190,067,175 for coverage in FY 2009-10. The total paid out for claims in FY 2009-10 was \$133,478,953. The administrative expenditures for FY 2009-10 were \$3,669,642.

An annual actuarial study is done to determine the adequacy of rates compared to current and expected liabilities. The recommendations of the actuary are utilized by the Board to establish the rates necessary to cover estimated liabilities for the upcoming year and to ensure the statutory asset level is maintained.

The Oversight Board's main goal was to improve the financial status and stability of the PCF. The PCF now substantially exceeds the mandated statutory minimum of assets to liabilities. The actuary has estimated the PCF's liabilities, both claims already filed and those expected to be incurred in 2011, at approximately \$773,400,000. Currently the PCF's assets are approximately \$620,000,000. The PCFOB's actions have resulted in a steady and impressive increase in funds and a decrease in the unfunded liability, while at the same time attempting to keep surcharge rates at predictable and affordable levels for private health care providers. This effort is vital to this State as the PCFOB continues to guarantee a source of medical malpractice coverage that is reasonable and thus encourages health care providers to continue to practice in Louisiana and serve our citizens.

RATE CHANGES FOR JANUARY 2011
LOUISIANA PATIENT'S COMPENSATION FUND

On September 2, 2010, the Patient's Compensation Fund Oversight Board voted to implement rate decreases effective 1/1/11 for the majority of the health care provider classes.

For the last six years, the actuarial calculations and rate increases have included a 5% deficit reduction load to address the unfunded liability. Some rate increases included additional funds beyond the 5% to more aggressively reduce the unfunded liability. In the 2010 Legislative Session, the definition of the required minimum funding level was clarified so that it was in line with the original intent of the Act, that the PCF be a revolving fund. The unfunded liability is basically the amount of liabilities compared to the total assets. As of 12/31/09, the estimated amount of the unfunded liability was about \$150,000,000. Based on the minimal changes in liabilities and assets in June 2010, the estimated unfunded liability remains the same. The PCFOB determined the funding level is such that a decrease in rates is justified. This action should not impact the financial solvency or stability of the PCF as the rate changes still allow for about \$20,000,000 towards further reducing any unfunded liability.

Physicians overall decrease of 15.8%. Specific rate decreases are as follows:

Class 1A	18.6
Class 1	16.5
Class 2A	14.4
Class 2	16.5
Class 3	14.4
Class 4	14.4
Class 5	16.5
Class 6	16.5
Class 7	16.5
Class 8A	18.6
Class 8	16.5

CRNAs – decrease of 18.6%

Registered Nurse Practitioners & Midwives – decrease of 16.5%

Registered Nurse Physician Assistants & Surgical Assistants – decrease of 16.5%

Hospitals - decrease of 11.2%

Nursing Homes - decrease of 1.4% *new definitions created

Assisted Living rates established.

Ambulance Services – decrease of 16.5% (calculation remains the same)

Dentists & Oral Surgeons – decrease of 16.5%

Dialysis Centers & Blood Centers– no change

Surgery Centers– no change

Other class (those that pay a percentage of the underlying premium) – no change

Chiropractors – new rates established

Optometrists – new rates established

Pharmacists – new rates established

October 1, 2010

EXHIBITS

AND

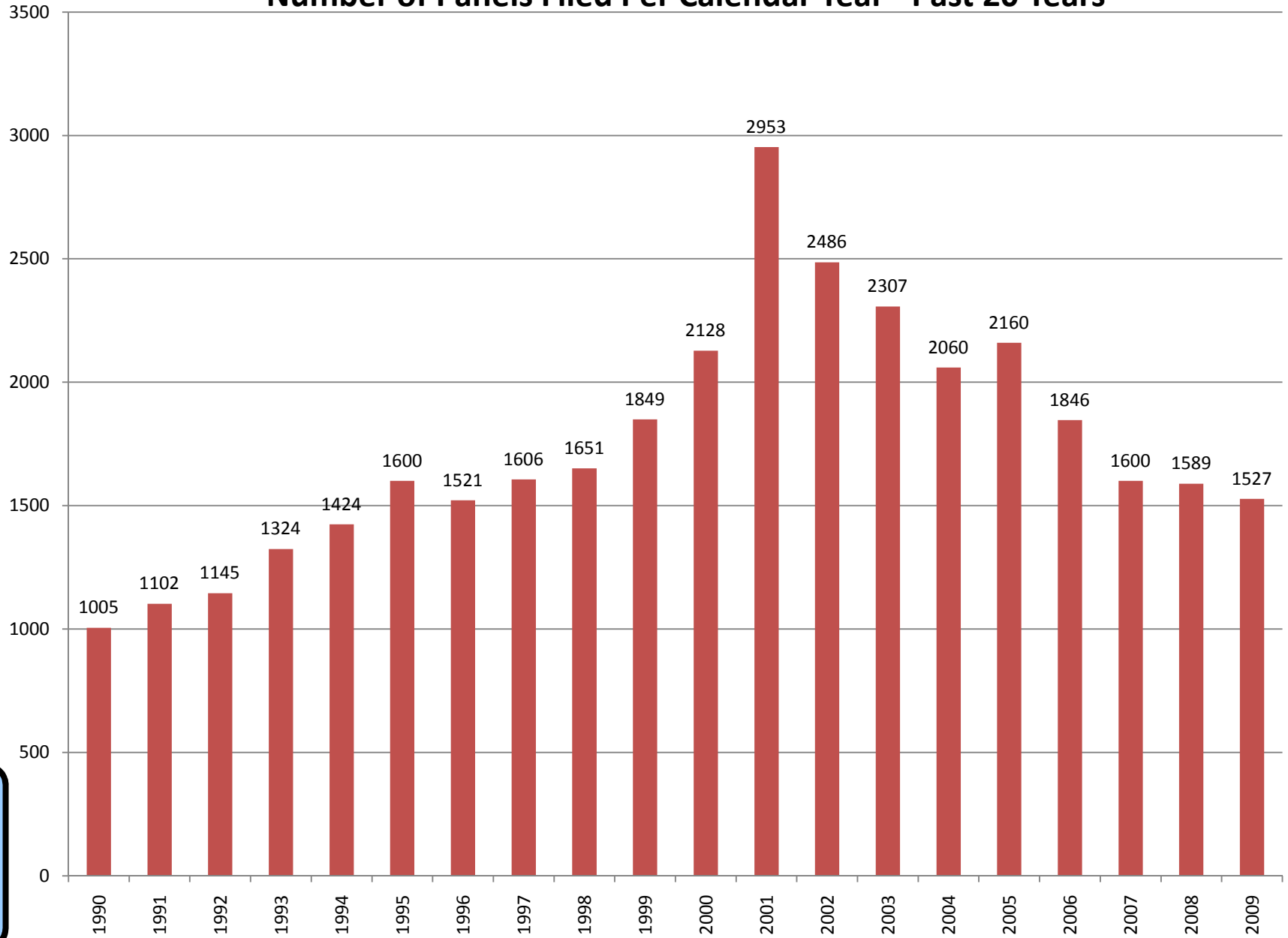
EXPLANATIONS

Exhibit 1

Medical Review Panels

The number of requests for medical review panels received by the PCF during each calendar year is shown in this exhibit. As you will note, the numbers steadily increased from 1977 through 2000, then in 2001 there was a spike. This was the result of 750 filing dealing with prescribing a drug and all were dismissed within a year without payments by the PCF. In August 2003, a filing fee was instituted. Since that time there has been a decrease in panels filed. Hurricane Katrina also had an impact on the number of panel requests filed. Overall, the number of requests filed and the number of individual providers named in requests has decreased during the past 5 years. Frequency is going down.

Number of Panels Filed Per Calendar Year - Past 20 Years



**Exhibit
1**

Exhibit 2

Claims

The PCF claims staff is limited in what they can do relative to a complaint since the PCF is not involved in the initial litigation. The PCF only becomes involved if there is a settlement in which additional monies are demanded from the PCF or when a judgment exceeds the primary layer of \$100,000. Defense attorneys are only assigned when an adjuster is unable to reach a settlement with the plaintiff or when litigation or discovery through the court is necessary. Less than 1% of the PCF claims incur any defense costs. A good working relationship between all parties reduces costs associated with claims and often reduces the time necessary to complete the process and compensate the injured parties.

The claims report shows the number of claims open, closed, closed without payment, pending by year and future medical claims pending by year. It also shows the amount spent in legal defense costs and interest. Updated reports are put on the PCFOB website following the board meeting, usually scheduled the first Thursday of each month.

The pending claims in January 2004 totaled almost 12,000. Since then, the PCF started pushing harder to obtain the information necessary to close those older claims so there could be a determination of the true number of pending claims against health care providers. These efforts paid off, and now pending claims total only 4850. It generally takes about 2 years for a claim to complete the medical review panel process and an additional 2 to 3 years for a final conclusion of the claim. The PCF's goal is to shorten the timeframe through increased communication between the PCF and other parties.

Panel and Claim Report through August 2010

Report Run: 9/1/2010

Panels Closed	120	135	1070	Future Medical	\$67,690,517	\$65,149,449	\$67,990,168
Claims Opened	112	127	1005	Medical	\$165,422,065	\$165,609,220	\$178,587,664
Claims Closed	149	171	1354	Total	\$238,734,229	\$236,436,150	\$252,863,418
Claims Closed With Payment - 27							
Litigation and Interest Payment Breakdown				Future Medical Claims By Year			
	Past Month	Current Year	Prior Year Total	Date Filed	Open Claims		
Interest	\$400,058	\$1,376,907	\$7,339,046	1977	1		
Litigation	\$227,126	\$2,113,929	\$3,762,311	1981	1		
				1982	1		
				1984	4		
				1985	10		
				1986	7		
				1987	6		
				1988	4		
				1989	6		
				1990	5		
				1991	13		
				1992	5		
				1993	5		
				1994	4		
				1995	8		
				1996	6		
				1997	4		
				1998	9		
				1999	10		
				2000	8		
				2001	8		
				2002	9		
				2003	8		
				2004	10		
				2005	8		
				2006	3		
				2007	8		
				2008	5		
				2009	1		
				2010			
Open Claims By Year Filed							
Date Filed	Claims Open	Percentage of Total					
1988	3	0.1%					
1989	1	0.0%					
1990	4	0.1%					
1992	7	0.1%					
1993	2	0.0%					
1994	8	0.2%					
1995	8	0.2%					
1996	17	0.3%					
1997	9	0.2%					
1998	22	0.4%					
1999	34	0.7%					
2000	60	1.2%					
2001	97	2.0%					
2002	162	3.3%					
2003	164	3.3%					
2004	215	4.3%					
2005	326	6.6%					
2006	460	9.3%					
2007	477	9.6%					
2008	895	18.1%					
2009	1186	24.0%					
2010	794	16.0%	*Average Month based on calendar year 2009				
Total Open Claims	4951	100.0%		Total Open Future	177		

Exhibit 3

Claim Payments

The following chart show the payments made for the calendar years indicated. As shown, the number of claims evaluated and paid, as well as the total amount paid has increased. Delays in resolving claims by the primary parties (plaintiff attorneys, defense attorneys and insurance companies) often results in the PCF paying a substantial amount in interest. To avoid such increased costs, the PCF has encouraged mediations and joint settlements as a means of resolving claims expeditiously and reducing costs.

Settlements and Judgments Over the Years

Calendar Year	Claims Settled	Claim Payments (Minus Legal)	Average
1998	183	66,461,438	363,177
1999	164	81,000,453	493,905
2000	162	63,697,356	393,194
2001	176	64,581,499	366,940
2002	209	71,222,084	340,776
2003	201	76,686,165	381,523
2004	202	66,297,524	328,206
2005	199	71,989,900	361,758
2006	295	107,023,124	362,790
2007	317	103,363,305	326,067
2008	325	105,438,808	324,427
2009	343	109,619,643	319,591

**Exhibit
3**

Exhibit 4

Future Medicals

The Act was amended in 1984 to “uncap” related medical expenses and benefits. Currently the PCF pays ongoing medical expenses on 181 patients in the amount of approximately \$1,464,000 per month.

The PCF began using a fee schedule in November 2001 which has resulted in significant savings to the PCF at no cost to the patients or their families.

Medical expenses include not only physician visits, prescriptions and hospitalizations, but also handicapped equipped vehicles, specialized wheelchairs, adaptive computer equipment, home modifications, and payments to family members for providing care in the home.

10 Years of Past and Future Medical Payments

Calendar Year	Past Medical	Future Medical	Grand Total
2000	\$7,861,234.36	\$19,712,573.45	\$27,573,807.81
2001	\$6,504,706.36	\$12,271,297.44	\$18,776,003.80
2002	\$7,184,104.87	\$13,123,532.39	\$20,307,637.26
2003	\$6,920,993.57	\$14,545,453.49	\$21,466,447.06
2004	\$10,375,379.04	\$12,234,595.39	\$22,609,974.43
2005	\$8,200,622.63	\$13,108,269.64	\$21,308,892.27
2006	\$16,879,655.99	\$16,599,432.25	\$33,479,088.24
2007	\$16,912,980.12	\$13,733,611.02	\$30,646,591.14
2008	\$26,960,700.28	\$16,182,093.32	\$43,142,793.60
2009	\$27,077,706.73	\$17,474,868.20	\$44,552,574.93
10 Year Totals:	\$134,878,083.95	\$148,985,726.59	\$283,863,810.54

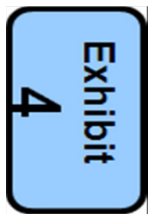


Exhibit 5a & 5b

Rates & Enrollments

The Oversight Board assumed management of the PCF in late 1990. Annual actuary studies were done at that time revealing the need for significant increases in rates. Rate changes from 1989 to present have resulted in huge increases in what private health care providers must pay for coverage. Yet the providers continue to enroll and continue to provide services to the citizens of Louisiana. The annual actuarial study determined rates could be reduced, liabilities provided for and the unfunded amounts still addressed. The overall rate reduction for all classes of providers combined will be 13%.

It should be noted that the number of enrolled providers shown does not include medical support staff, such as nurses or lab & x-ray techs, or individual providers if they are included in a group, such as an emergency physician group. The actual number of health care providers covered by the PCF would be substantially larger if these providers were included in the totals.

Sample Rates Over the Years (for PCF Layer only)

Occurrence Coverage

Specialty	1990	2007	2011
Hospital (per bed)	\$ 591	\$ 2,843	\$ 3,032
Internist	2,261	8,164	8,158
Gen.Surg	7,856	28,294	27,581
OB/GYN	10,273	41,349	39,345



Enrolled Providers in the Louisiana Patient's Compensation Fund

	Physicians	Hospitals	Nursing Homes	Dentists	RN's	All Other	Grand Total
1981	2286	67	1	604	36	397	3391
1985	2365	91	0	994	171	1181	4802
1990	7256	140	6	1673	526	2839	12440
1995	7752	175	20	1688	762	1543	11940
2000	8728	188	118	1747	1296	1881	13958
2005	9201	245	325	1788	1971	2879	16409
2009	10481	297	308	1847	2810	2504	18247
**Grand Total includes years outside of the range displayed							

Exhibit 6

Unfunded Liability

Prior to August 15, 2010, the calculation of the Statutory minimum funding level found in La R.S. 40:1299.44.A.(6)(a) required a surplus of 30% of the total of the surcharges collected, expenses and reserves (estimated amount of exposures pending and occurred but not reported). The PCFOB met this requirement for the last several years. This formula treated the last year's revenue as a liability and exaggerated the UAL.

After August 15, 2010, the effective date of Act 78, the statute requires the PCFOB to maintain assets sufficient to provide at least 30% of the actuarially calculated liabilities and eliminated the treatment of revenue as a liability.

The chart shows the estimated PCF liability, according to annual actuarial reports, compared to the funds and investments held at the Treasurer's office. The difference would be considered the true estimated unfunded liability. These amounts are based on calendar year data.

ESTIMATED LIABILITIES**ASSETS****Unfunded****Liabilities**

(Claim & legal reserves + IBNR)

(Cash & investments)

(Difference)

12/2000:	\$383,600,000	\$ 84,880,890	\$298,719,110
12/2005:	\$675,300,000	\$253,275,810	\$422,024,190
12/2006:	\$737,500,000	\$364,752,401	\$372,747,599
12/2007:	\$756,200,000	\$431,217,706	\$324,982,294
12/2008:	\$738,000,000	\$494,585,500	\$243,414,500
12/2009:	\$773,400,000	\$576,373,243	\$197,026,757

*all figures as of December 31st of each year.



Exhibit 7a & 7b

Financial Summaries

These two exhibits are documents that are put on the PCFOB website each month, as well as the minutes from each Board meeting. They show the monthly PCF expenditures and collections, interest earned, and fund balance at the end of the month. These items, as well as other information, are on the PCFOB's website as our part of being a transparent state agency.

FINANCIAL DATA FOR BOARD

FY 2010 - 2011
September 2, 2010

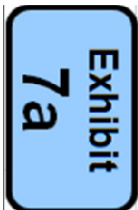
REVENUE	SURCHARGE	FILING FEES
FY Gross Collection	23,333,897\$	\$48,600
FY Refunds Issued	-\$130,484	-\$3,850
FY Net	23,203,413\$	\$44,750

Prior Year Cash Carryover		\$609,707,941
YTD Interest Earned		\$1,308,080
YTD Net Surcharge Collected		\$23,203,413
YTD Net Filing Fees Collected		\$44,750
YTD Operating Expenses		-\$646,882
YTD Claim Expenses		-\$12,487,980
YTD Fund Balance		\$621,129,322

APPROPRIATION BALANCES FOR:	Operating	\$3,945,734
Expended		-\$646,882
Balance Remaining in FY11 Operating Appropriation		3,298,852

Expended	Claims	\$135,000,000
		-\$12,487,980
Balance Remaining in FY11 Claims Appropriation		\$122,512,020

CLAIM SETTLEMENTS:		
All prior Month Approved Claims Not Paid		\$3,808,770
Current Month Claims For Approval		\$15,097,446
Total		\$18,906,216



Monthly LAPCF Revenue Collections

Net Monthly Surcharge Collections

	FY 2010-2011	FY 2009-2010	FY 2008-2009	FY 2007-2008
July	12,084,783.10	13,359,268.43	8,708,055.90	4,897,730.35
August	11,214,908.22	8,272,904.31	7,732,402.00	14,998,728.68
September		7,895,761.34	10,530,231.79	7,572,363.00
October		18,096,458.97	14,774,427.42	14,630,900.01
November		12,498,979.06	12,490,822.54	11,164,784.04
December		30,866,340.29	17,872,292.44	13,022,474.73
January		37,556,810.90	42,322,316.61	46,953,282.99
February		24,441,404.14	31,149,740.87	19,100,563.51
March		6,652,337.80	3,976,374.92	6,288,866.15
April		5,132,470.48	7,249,248.11	5,235,213.32
May		5,049,177.07	4,189,660.70	3,853,640.65
June		16,951,293.97	13,297,962.86	16,166,587.64
Total	23,299,691.32	186,773,206.76	174,293,536.16	163,885,135.07

Net Monthly Filing Fee Collections

	FY 2010-2011	FY 2009-2010	FY 2008-2009	FY 2007-2008
July	23,500.00	26,300.00	62,778.00	26,500.00
August	22,650.00	26,000.00	(17,078.00)	23,700.00
September		19,800.00	24,150.00	19,800.00
October		23,900.00	23,800.00	22,000.00
November		21,400.00	20,050.00	21,100.00
December		23,200.00	26,700.00	24,200.00
January		27,350.00	24,450.00	19,300.00
February		21,300.00	19,050.00	26,600.00
March		25,200.00	21,500.00	23,400.00
April		26,050.00	21,400.00	28,300.00
May		27,300.00	22,300.00	27,700.00
June		21,250.00	22,800.00	24,200.00
Total	46,150.00	289,050.00	271,900.00	286,800.00

Monthly Interest Earnings

	FY 2010-2011	FY 2009-2010	FY 2008-2009	FY 2007-2008
July	671,944.25	481,795.00	1,125,831.00	1,705,472.00
August	634,635.50	804,606.92	1,169,761.58	1,700,904.00
September		546,745.05	1,149,359.53	1,647,402.00
October		542,812.00	824,459.00	1,564,886.00
November		431,587.11	1,261,836.00	1,842,348.44
December		608,275.19	1,508,471.00	2,005,551.20
January		504,322.67	1,482,709.75	1,856,096.66
February		863,065.50	723,538.00	1,378,837.64
March		608,317.50	856,360.94	1,485,253.80
April		393,699.16	894,993.69	1,233,743.00
May		853,779.00	878,890.00	1,222,254.00
June		815,258.00	629,095.00	1,430,762.00
Total	1,306,579.75	7,454,263.10	12,505,305.49	19,073,510.74
Total Collections	24,652,421.07	194,516,519.86	187,070,741.65	183,245,445.81



Louisiana Patient's Compensation Fund

For more information please go to
www.doa.louisiana.gov/pcf

The PCF web site will contain the report to the legislature as mandated by SCR 111

For more information, you can also contact:

- Lorraine LeBlanc, Executive Director of PCF at lorraine.leblanc@la.gov
- Mr. Clark Cossé, PCF Board Chairman at ccosse@lhaonline.org

Louisiana Patient's Compensation Fund
Annual Report per SCR 611 of the 2006 Regular Session
October 1, 2010

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